

Finance Report for Finance Steering Group and SMT

August 2016

Executive Summary

This report shows our year to date outcome against the revised forecast/budget approved early in September and submitted to DCMS for the revised September estimates process. This budget is referred to as BV2. In practice the budget was profiled such that unspent budget is entirely in the period September – March and up to 31 August it matched actual expenditure with the exception of a few late travel expenses claims and a small additional receipt on fees.

In July we had concerns about our DP fee income. The fee income to end of August is £7,674k. This now matches the BV2 budget within £1k, however the original budget was £7,559k ytd showing August as expected to be £118k ahead. There is still risk in the fees budget. Based on the revised profile we anticipate DP fee income of £1.9m during September. Slightly over ½ way through the month fees are £0.9m with a grossing up forecast of £1.6m for the month. As we know, fee income can bumpy, so until we see the true outcome for September we are unable to comment further on whether the additional income of £500k above the BV1 budget will be achieved.

The forecast based on BV2 is for a small surplus of £22k. This is dependent upon achieving the additional fee income of £500k and spending to budget in full. If we do one without the other we could have a result ranging from £0.5m deficit to £0.5m surplus. That said it is highly unlikely that we will spend to budget as it takes time to get new projects off the ground and recruit staff – in practice many of the new posts are being filled by existing staff, resulting in minimal additional costs. The most likely outcome is therefore break even or a small surplus.

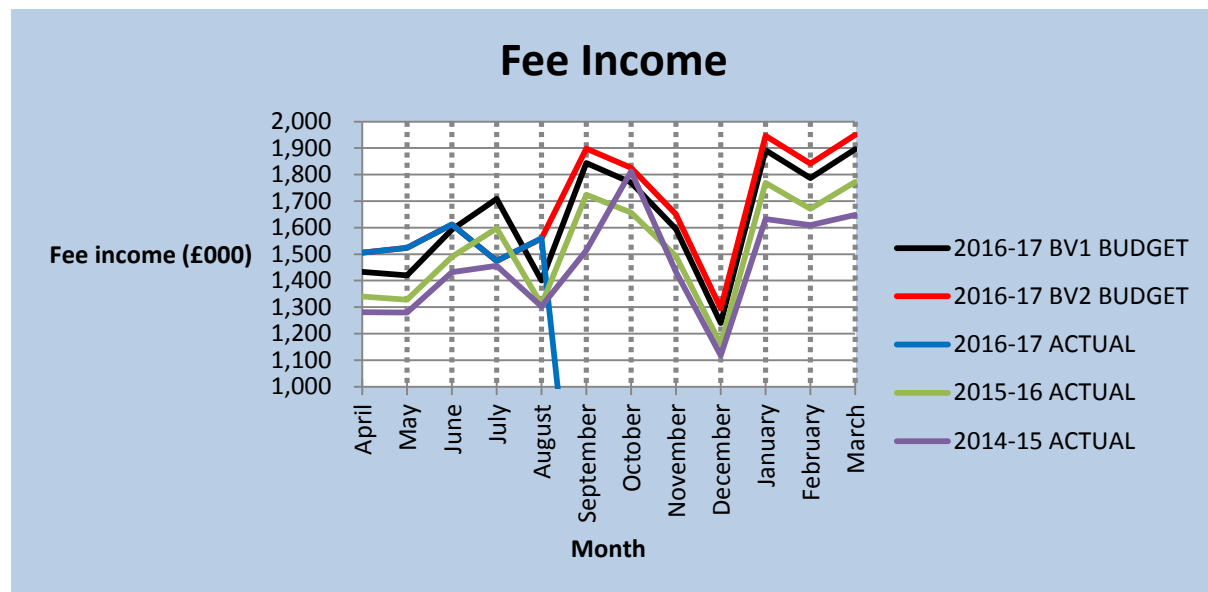
Financial Overview as at 31 August

DP Income

				VARIANCE TO	
	BV1	BV2	ACTUAL	BV1	BV2
APRIL	1,434	1,505	1,505	72	-
MAY	1,420	1,524	1,524	104	-
JUNE	1,593	1,611	1,611	19	-
JULY	1,709	1,474	1,474	- 235	-
AUGUST	1,401	1,559	1,560	159	1
CUMULATIVE YTD	7,556	7,673	7,674	118	1

Year to date DP income is £118k ahead of BV1 and the budget has been revised so that BV2 year to date matches actual receipts as shown above. We will continue to monitor against BV2 – assuming we meet that budget then we will achieve the additional income forecast above BV1 of £500k.

Our management accounts due at the end of September will provide a better indication of full year out-turn.



FOI Grant in Aid (GIA)

Annual GIA cash settlement has been agreed at £3.75m for 16/17 – 18/19 inclusive. This is now paid monthly and monthly returns to and receipts from DCMS are up to date.

We have recently been made aware of a small addition to GIA in respect of eDIAS work. This is not anticipated to amount to more than £55,000. Work is in hand to ensure these funds are collected to offset the costs currently being incurred by Good Practice.

The above matter came to light, only because a member of staff queried a code for expenses. If there are any additional funds of this nature, then please could finance be informed as soon as possible to ensure claims are made in good time. Routine secondments organised via HR where the costs are recovered by invoicing should be covered. If funding arrangements are different to this, then finance need to be informed at the time the arrangement is made.

Staff, training and recruitment

The staff costs forecast has been updated to reflect current filled posts and vacancies notified as part of the budget review.

The FTE at 31 August is 425 inclusive of agency filled posts against a full year budget of 435 and March 16 figure of 409.

Comparing to 2015/16 the impact of the loss of rebate for national insurance can be seen – we anticipate NIC costs rising by some £300k on a like for like basis.

Budgets for training courses and recruitment have been increased significantly during the budget review process. Of the forecast £100k is uncommitted training expenditure, subject to agreement by SMT.

Capital Spend – IT projects and IT revenue

Project expenditure is budgeted at £1.38m of which £650k is anticipated to be capital. This budget was increased from £1.215m. £70k of the increase relates to the re-procurement of IT operating contracts* and £95k potential additional expenditure – currently not committed. We will be reviewing our capital spend prior to mid year. Project costs are expected to spend to budget.

With regard to our total IT budget, the license costs budget was increased by £100k to take account of increased staffing numbers, and increased proportion of ICO staff needing to access an increased proportion of IT software and the need to license software in parallel as we transition to new case management and EDRM software.

**The additional workload for our in house Commercial Legal team, caused by things like our taking responsibility for the TPS contract, has required us to out source much of our IT Procurement legal advice. We are anticipating an additional spend of £70k over budget to cover these costs this year and a further 80k in 2017-18.*

Movement of sponsorship from the MOJ to DCMS

The management agreement with DCMS is in the final stages of negotiation, but is not yet signed. Operationally we are adjusting to the new regime for reporting, but there are no significant changes in the operational parameters to which we must comply.

The budget for 2016/17 has been agreed with DCMS, with a three year award for GIA of £3.75m, including £650k capital allowance.

The efficiency review was submitted on 8th September and the updated forecast to BV2 was submitted on 12th September.

Financial systems

Work is now firmly in hand with the finance systems changes. The new GPC card is being piloted. The systems access review is underway and we will be updating mandates and similar very soon. We will require an add on to the existing system to implement the payment controls required and an upgrade to Purchase management to resolve a number of issues with that system. We are awaiting timings and costs from Mhance.

Other activities

As mentioned above, The TPS contract is due to come across to the ICO from a date yet to be confirmed. From that point we expect to consolidate those figures into our accounts. Our August accounts do not therefore reflect any changes for this activity.

Total office costs

The forecast and year to date costs in this area require review to update for the new lease costs and parking arrangements. The staff parking group is currently discussing options post January 2017 when we expect to lose access to a number of spaces, and from when the costs of all remaining spaces must be funded from the scheme.

Legal, professional & other together with communications costs

These areas of the accounts need a review with the budget holders to ensure costs are suitably profiled to the end of the year. There have been significant additions to budgets in these areas - £112k legal for operation spruce. In addition there is significant funding available for conferences and it is not clear what is planned in the coming year in addition to the March DP conference. £50k has been transferred to communications from Good practice in respect of an EUDP conference, however this is unlikely to occur. We will carry out this review before the ½ year results are published.

Depreciation & Amortisation

These costs are running under budget, but this will catch up when new assets are capitalised. There is a large amount in the budget in the last quarter to account for any write off of assets at year end.

Civil Monetary Penalties

The CMP position at 31 August has not been updated from July owing to staff absence and project commitments.

The debtor of CMPs owed to the ICO as at 31 July 2016 is £3,001,140 of which £815,000 was provided as a bad debt at the end of March 2016 – net outstanding is £1,750,560 as follows:

<i>B/f 2015-16</i>	<i>1,873,940</i>
<i>less bad debt provision 15/16</i>	<i><u>(815,000)</u></i>
<i>accounts balance</i>	<i>1,058,940</i>

Issued penalties gross	1,210,400
Issued penalty increase post appeal	-
Issued prompt payment discount	<u>(83,200)</u>
Net	<u>2,186,140</u>

Receipts	(435,580)*
Impaired	-
Balance	<u><u>1,750,560</u></u>

*paid to consolidated fund in July 374,310

The creditor due to the consolidated fund (via DCMS) in respect of the above is £2,186,140 of which £374,310 was remitted in July. At the present time we do not impair and fully write off penalties until such time as we receive legal advice that the debt cannot be recovered. For prudent accounting purposes we were obliged to make provision for those debtors in liquidation at the end of the financial year, however these debts have not yet been fully written off as we are still chasing them. For clarity we will not make similar provision until the year end for current year debts.

Simon Entwisle
August 2016

MANAGEMENT REPORT

For the Five Months Ending 31 August 2016

	Year To Date				Full Year				Prior year
	BV2 2016-17 £	Actual £	Variance £	Var %	BV2 2016-17 £	Forecast £ (£)	Variance £	Var %	2015-16 £
GRANT IN AID	1,562,500	1,562,500	-	-	3,750,000	3,750,000	-	-	3,730,768
DP FEE INCOME	7,673,316	7,674,334	1,018	0.0%	20,080,000	20,080,000	-	-	18,311,232
DRIPA INCOME	82,500	82,500	-	-	330,000	330,000	-	-	330,000
BANK INTEREST	82	82	-	-	(2)	(2)	-	-	-
	-	-	-	-	-	-	-	-	-
TOTAL INCOME	9,318,398	9,319,416	1,018	0.0%	24,159,998	24,159,998	-	-	22,372,000
RENT	321,254	321,253	1	0.0%	759,272	759,272	-	-	746,048
RATES & BUILDING INSURANCE	98,888	98,887	1	0.0%	240,001	240,001	-	-	236,183
SERVICE CHARGES	12,049	12,051	(2)	(0.0%)	30,571	30,571	-	-	32,176
CAR PARKING	-	-	-	-	89,999	89,999	-	-	80,779
HEAT & LIGHT	29,069	29,070	(1)	(0.0%)	106,524	106,524	-	-	174,069
WATER	8,276	8,276	-	-	15,997	15,997	-	-	16,317
CLEANING	36,847	36,847	-	-	60,003	60,003	-	-	60,358
SECURITY	26,065	26,064	1	0.0%	59,000	59,000	-	-	58,502
WASTE	2,194	2,194	-	-	4,056	4,056	-	-	5,443
STORAGE	13	13	-	-	10,002	10,002	-	-	16,815
REPAIRS & MAINTENANCE	21,874	21,874	-	-	95,003	95,003	-	-	101,556
MOTOR COSTS	(142)	(142)	-	-	236	236	-	-	970
KITCHEN	12,071	12,072	(1)	(0.0%)	21,500	21,500	-	-	41,127
FURNITURE	10,140	10,140	-	-	13,472	13,472	-	-	7,968
GENERAL EQUIPMENT	4,273	4,273	-	-	56,472	56,472	-	-	13,516
STATIONERY	19,442	19,441	1	0.0%	34,149	34,149	-	-	34,930
POSTAGE	26,219	26,220	(1)	(0.0%)	60,841	60,841	-	-	69,606
DOCUMENT DESTRUCTION	3,234	3,235	(1)	(0.0%)	8,001	8,001	-	-	5,984
OTHER	74,410	74,410	-	-	53,109	53,109	-	-	11,207
TOTAL OFFICE COSTS	706,176	706,178	(2)	(0.0%)	1,718,208	1,718,208	-	-	1,713,554
SALARIES	4,930,399	4,930,394	5	0.0%	12,184,700	12,184,700	-	-	10,864,109
OVERTIME	40,853	40,852	1	0.0%	126,432	126,432	-	-	100,144
PENSION	1,002,280	1,002,278	2	0.0%	2,481,608	2,481,608	-	-	2,170,213
NATIONAL INSURANCE	459,654	459,651	3	0.0%	1,168,080	1,168,080	-	-	745,893
AGENCY STAFF	57,279	57,281	(2)	(0.0%)	195,067	195,067	-	-	344,945
SALARIES INCOME	(67,358)	(67,359)	1	(0.0%)	(81,645)	(81,645)	0	-	(118,912)
OVERTIME INCOME	-	-	-	-	(17,556)	(17,556)	0	-	-
PENSION INCOME	(14,318)	(14,320)	2	(0.0%)	(8,410)	(8,410)	0	-	(24,757)
NATIONAL INSURANCE INCOME	(7,691)	(7,690)	(1)	0.0%	2	2	0	-	(10,104)
NON EXEC BOARD MEMBER	17,645	17,645	-	-	56,467	56,467	-	-	46,707
TOTAL STAFF COSTS	6,418,743	6,418,732	11	0.0%	16,104,745	16,104,745	-	-	14,118,238

MANAGEMENT REPORT

For the Five Months Ending 31 August 2016

	Year To Date				Full Year				Prior year
	BV2 2016-17 £	Actual £	Variance £	Var %	BV2 2016-17 £	Forecast £	Variance £	Var %	2015-16 £
RECRUITMENT	28,241	28,241	-	-	140,003	140,003	-	-	69,071
RELOCATION EXPENSES	15,817	15,817	-	-	40,002	40,002	-	-	-
HEALTH & SAFETY	18,673	18,673	-	-	45,000	45,000	-	-	44,002
FURTHER EDUCATION	7,016	7,016	-	-	8,003	8,003	-	-	360
TRAINING COURSES	56,268	56,268	-	-	397,595	397,595	-	-	50,440
CONFERENCES	81,914	81,986	(72)	(0.1%)	32,179	32,179	-	-	103,235
MANAGEMENT DEVELOPMENT	7,926	7,926	-	-	23,998	23,998	-	-	21,036
TOTAL TRAINING AND RECRUITMENT	215,855	215,927	(72)	(0.0%)	686,780	686,780	-	-	288,144
HOSTING, WEB AND TELEPHONY	286,879	286,878	1	0.0%	716,322	716,322	-	-	728,360
APP & DESKTOP SUPPORT	301,023	301,023	-	-	680,003	680,003	-	-	731,905
SOFTWARE LICENSING	194,010	194,010	-	-	384,998	384,998	-	-	300,177
SECURITY CONTRACT	19,208	19,207	1	0.0%	50,001	50,001	-	-	35,457
NOTIFICATION PRINTING	61,037	61,037	-	-	154,998	154,998	-	-	216,938
MANAGED PRINT	(1,250)	(1,250)	-	-	42,234	42,234	-	-	53,443
HARDWARE MAINTENANCE	60,953	60,954	(1)	(0.0%)	80,000	80,000	-	-	53,110
GOV SECURE INTERNET	-	-	-	-	129,997	129,997	-	-	149,548
TELEPHONY CALLS & BROADBAND	38,952	38,952	-	-	101,560	101,560	-	-	130,822
TOTAL IT COSTS	960,812	960,811	1	0.0%	2,340,113	2,340,113	-	-	2,399,760
ICE CRM DEVELOPMENT	7,782	7,782	-	-	399,999	399,999	-	-	156,092
DOCUMENT STORAGE SOLUTION	1,982	1,982	-	-	175,001	175,001	-	-	4,358
DIGITAL DELIVERY	1,275	1,275	-	-	20,000	20,000	-	-	124,609
INFRASTRUCTURE	(3,978)	(3,977)	(1)	0.0%	574,999	574,999	-	-	548,702
OTHER PROJECT WORK	19,647	19,647	-	-	209,998	209,998	-	-	332,795
NPS RESOURCE	192,054	192,055	(1)	(0.0%)	2	2	-	-	-
TOTAL PROJECT SPEND (INC CAPITAL)	218,762	218,764	(2)	(0.0%)	1,379,999	1,379,999	-	-	1,166,556
CAMPAIGNS, MEDIA RELATIONS & PR	12,798	12,798	-	-	44,998	44,998	-	-	27,580
MEDIA MONITORING	27,089	27,087	2	0.0%	45,002	45,002	-	-	71,084
DESIGN & PRINT	36,692	36,692	-	-	54,997	54,997	-	-	66,918
DISTRIBUTION	12,980	12,981	(1)	(0.0%)	40,000	40,000	-	-	24,900
SURVEYS	8,449	8,449	-	-	66,003	66,003	-	-	111,191
CONFERENCES GENERAL	49,134	49,134	-	-	154,000	154,000	-	-	288,952
CONFERENCE INCOME	(1,035)	(1,035)	-	-	(44,000)	(44,000)	-	-	(57,151)
CONFERENCES EUDP	-	-	-	-	-	-	-	-	-
ICON DEVELOPMENT	-	-	-	-	24,003	24,003	-	-	5,178
STAFF EVENTS	21,213	21,213	-	-	6,002	6,002	-	-	27,651
WEB MAINTENANCE	2,672	2,672	-	-	30,000	30,000	-	-	49,397
TOTAL COMMUNICATIONS	169,992	169,991	1	0.0%	421,005	421,005	-	-	615,700
BANK INTEREST TO CONSOLIDATED FUNDS	82	82	-	-	(2)	-	(2)	100.0%	-
BANK CHARGES	355	354	1	0.3%	30,001	30,001	-	-	30,956
CARD PROCESSING CHARGES	33,834	33,834	-	-	72,719	72,719	-	-	75,726
BAD DEBT WRITE OFFS	350	350	-	-	-	-	-	-	5,410
EXTERNAL AUDIT	-	-	-	-	32,500	32,500	-	-	32,500
INTERNAL AUDIT	15,560	15,561	(1)	(0.0%)	37,365	37,365	-	-	36,642
CORPORATION TAX	100	100	-	-	2	2	-	-	61
TOTAL FINANCIAL COSTS	50,281	50,281	-	-	172,585	172,587	(2)	100.0%	181,295

MANAGEMENT REPORT

For the Five Months Ending 31 August 2016

	Year To Date				Full Year				Prior year
	BV2 2016-17 £	Actual £	Variance £	Var %	BV2 2016-17 £	Forecast £	Variance £	Var %	2015-16 £
TRAVEL UK	160,691	163,256	(2,565)	(1.6%)	437,233	437,233	-	-	380,385
TRAVEL OVERSEAS	43,172	43,170	2	0.0%	43,508	43,508	-	-	76,093
TRAVEL INCOME - UK	(3,645)	(3,645)	-	-	(2,917)	(2,917)	-	-	(6,404)
TRAVEL INCOME - OVERSEAS	(7,022)	(7,022)	-	-	(5,461)	(5,461)	-	-	(16,302)
TOTAL TRAVEL	193,196	195,759	(2,563)	(1.3%)	472,363	472,363	-	-	433,772
LEGAL	93,883	93,882	1	0.0%	491,511	491,511	-	-	223,118
LEGAL COSTS RECOVERED	(14,446)	(14,445)	(1)	0.0%	(14,145)	(14,145)	-	-	(7,289)
LIBRARY & SUBSCRIPTIONS	25,510	25,506	4	0.0%	68,203	68,203	-	-	72,720
PROFESSIONAL SUBS	3,825	3,825	-	-	21,150	21,150	-	-	18,727
SUBSISTENCE	189	189	-	-	-	-	-	-	239
RESEARCH	15,637	15,637	-	-	50,000	50,000	-	-	38,367
PRIVACY SEALS	-	-	-	-	-	-	-	-	50,655
DP REGULATION FUTURES PROJECT	-	-	-	-	-	-	-	-	20,000
PROFESSIONAL SERVICES	33,928	33,929	(1)	(0.0%)	216,320	216,320	-	-	155,067
STAFF RECOGNITION	14	15	(1)	(7.1%)	8,883	8,883	-	-	8,901
0	0								
TOTAL LEGAL, PROFESSIONAL & OTHER	158,540	158,538	2	0.0%	841,922	841,922	-	-	580,505
TOTAL COSTS	9,092,357	9,094,981	(2,624)	(0.0%)	24,137,720	24,137,722	(2)	(0.0%)	21,497,524
OPERATING CASH SURPLUS	226,041	224,435	1,606	0.7%	22,278	22,276	(2)	(0.0%)	874,476
								<i>paid</i>	<i>907,776</i>
CAPITAL SPEND	-	-	-	-	650,000	650,000	-	-	864,225
DEPRECIATION	312,705	312,705	-	-	965,000	965,000	-	-	1,002,015
AMORTISATION	373,525	373,527	(2)	(0.0%)	999,998	999,411	587	0.1%	821,079
LOSS ON DISPOSAL OF FIXED ASSETS	(1,202)	(1,202)	-	-	2	(1,202)	1,204	60200.0%	340,211
TOTAL NON CASH COSTS	685,028	685,030	(2)	(0.0%)	1,965,000	1,963,209	1,791	0.1%	2,163,305